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President: Mr. A. PATIÑO (Colombia)

Present:

Representatives of the following States: Argentina, Australia, Austria, Colombia, Czechoslovakia, El Salvador, Ethiopia, France, India, Italy, Japan, Jordan, Senegal, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Yugoslavia.

Observers for the following Member States: Canada, China, Denmark, Greece, Iraq, Ireland, Israel, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Romania, South Africa, United Arab Republic, Venezuela.

Observers for the following non-member States: Federal Republic of Germany, Holy See, Switzerland.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 13

Reports of the Governing Council of the Special Fund
(E/L.1006/Rev.1, E/L.1007)

(*resumed from the 1280th meeting and concluded*)

1. The PRESIDENT drew attention to the revised version of the draft resolution (E/L.1006/Rev.1) submitted by Argentina, Italy and Jordan on enlargement of the membership of the Governing Council of the United Nations Special Fund, and to the USSR amendments thereto (E/L.1007).

2. Mr. EL-FARRA (Jordan) hoped that the USSR representative would not press for a vote on his delegation's amendments, which were contrary to the spirit of paragraph 14 of General Assembly resolution 1240 (XIII), Part B, and consequently to the purpose of the draft resolution.

3. Mr. MIGONE (Argentina) said that the underlying idea of the draft resolution was to improve participation in the Governing Council after five years of the operation of the Special Fund. The sponsors had had in mind the need for more adequate representation of the developing countries of certain geographical areas, and the fact that it was only fair to give certain donor countries a voice in directing the Special Fund. Under paragraph 14 of the General Assembly resolution, it would be improper to alter the system of parity of representation on the Governing Council. He therefore joined the Jordanian representative in his appeal to the USSR delegation not to press its amendments to a vote.

4. Mr. FRANZI (Italy) associated himself with the other sponsors in urging the USSR delegation not to press for a vote on its amendments.

5. Mr. LYUBIMOW (Union of Soviet Socialist Republics) said that, although his delegation believed it would have been better to stress the criterion of equitable geographical distribution, he could vote for the draft resolution, on the understanding that the contribution made to the Special Fund by the socialist countries would be taken into account in electing the new donor countries to the Governing Council.

6. Mr. VIAUD (France) said he would vote for the revised draft resolution. The system of parity between donor and beneficiary countries had proved satisfactory and should be retained. It should be borne in mind that, under paragraph 14 of the General Assembly resolution the criteria of representation of contributing and developing countries was not quite the same: the donor countries were selected on the grounds of their contributions to the Fund, whereas the beneficiary countries were selected on the basis of equitable geographical distribution. He had not quite understood whether the USSR amendments, which ran counter to the system set forth in paragraph 14, of the General Assembly resolution had been withdrawn.

7. Mr. LYUBIMOV (Union of Soviet Socialist Republics) said that his delegation did not wish to press its amendments to a vote. It would, however, vote for the draft resolution on the understanding that the interest shown by the socialist countries in the work of the

Special Fund would be recognized by an increase in their representation on the Governing Council.

8. Mr. UNWIN (United Kingdom) said that his delegation's main concern was that the Governing Council should be efficient. Although he believed that small bodies were often more efficient than large ones, he was prepared to accept the revised draft resolution. He was also anxious to maintain the balance between the donor and beneficiary countries as laid down by the General Assembly. The Indian amendment proposed at the 1279th meeting, which referred to the developing countries, was acceptable in view of the support it had received from representatives of those countries; but it should be pointed out that rather greater emphasis seemed to be laid on the representation of the developing countries than on that of the donor countries, whose participation in the Governing Council was equally important.

9. Mr. YOKOTA (Japan) said that the Governing Council of the Special Fund had operated effectively as at present constituted. Nevertheless, he sympathized with those who wished to ensure a more equitable geographical distribution of membership among the developing countries, particularly those of Asia and Africa; and since the addition of six seats was the minimum whereby the balance between donor and beneficiary countries could be maintained with due account for geographical distribution, his delegation would vote for the draft resolution.

The draft resolution (E/L.1006/Rev.1) submitted by Argentina, Italy and Jordan was adopted unanimously.

AGENDA ITEM 2

World economic trends

- (a) Surveys of the world economic situation (E/3761 and Add.1-3, E/3774; E/CN.12/659 and Add.1, E/CN.12/679, E/CN.12/680; E/ECE/493; E/L.1005)
- (b) Economic projections and development planning (E/3764)

GENERAL DEBATE (*continued*)

10. Mr. EL-FARRA (Jordan) said that despite the many encouraging signs noted in the documents submitted under the item, the picture so far as economic trends were concerned was not a pleasant one. The less developed countries were facing more problems than in the previous year; raw material prices had been lower in 1962 than in 1961; difficulty was still being experienced in strengthening balances of payments; there was a relative decline in agriculture and a very slow rate of progress by the primary-exporting developing countries; the shortage of foreign exchange was a most pressing problem; and above all the complexity of the problems facing the developing countries was increased by the growth in population, particularly in areas that were already overpopulated.

11. In trade, in particular, the problems were multiplying. Unfair treatment and discriminatory practices still per-

sisted, despite the assurance given and the steps recommended for eliminating such practices. The gap between the economically developed and the developing countries was obviously growing wider every year, and it was regrettable that not even the modest objectives of the Development Decade had been attained in 1962.

12. The Development Decade set up very promising goals, and many plans and projects, including those of FAO, UNESCO, the Special Fund, EPTA, and other specialized agencies and subsidiary United Nations organs, had been instituted in connexion with it. A new call for action was reflected in numerous studies, reports, plans and projects, all of which, if implemented, would be of great help to the developing countries. All the specialized agencies and United Nations organs and bodies were co-operating in facing the challenge, but their efforts would be fruitless if the developed countries failed to co-operate.

13. The Special Fund projects, the FAO plan to speed up its programme for the application of science and technology in agriculture, water management and housing, as well as other undertakings of a similar nature, would come to nothing unless the countries benefiting from the present imbalance joined together in an effort to achieve the objectives of the Development Decade. It would be unfortunate if the Decade became a slogan rather than a programme, and if 1963 were to see the freezing of new projects for lack of co-operation, political will, or additional funds.

14. The expansion of trade offered one of the most promising roads to economic development. His delegation considered that in the work of the current session the emphasis should be placed on preparation for the United Nations Conference on Trade and Development. The countries attending the second session of the Preparatory Committee for that Conference had apparently taken the same view; and the developing countries had expressed their conviction that the achievement of even the modest targets of the Development Decade would depend on the decisions taken at the Conference and on subsequent measures to put them into effect.

15. The *World Economic Survey, 1962*, part I (E/3774), observed in chapter 3, page 59, that external markets were vital if developing countries were to set up new industries that would operate at reasonable levels of efficiency and utilize existing capacity to the fullest extent possible. Obstacles on the supply side (*ibid.*, p. 65) included the lack of knowledge of foreign markets, of contacts with foreign business men, of familiarity with the quick-changing taste of foreign consumers, and of credits, and, above all, the small scale of production imposed on manufacturing industries by the smallness of the domestic markets. Reference was also made to the problems created by the tariffs and restrictions imposed by developed countries. It was because of those obstacles that the gap between the developed and the developing countries was widening; and that, as reported in other United Nations documents, the developing countries' share in total world trade had declined from 31.5 per cent in 1953 to 24.7 per cent in 1960.

16. What was needed was more technical help, and more education in marketing techniques. The developing countries needed to know how to improve production; they needed regular information on possibilities and opportunities in specific countries and for specific articles; and they needed more organizational and research facilities in general.

17. A special centre should be set up within the Headquarters Economic and Social Division to deal solely with matters of international trade. Such a centre would render the less developed countries great assistance by undertaking research and providing technical advice. In co-operation with EPTA and the Special Fund, it might work out a plan for setting up trade information centres at existing United Nations information centres.

18. The developing countries needed and expected more specific and forceful action to promote economic growth and place international trade on a multilateral and non-discriminatory basis.

19. Naturally, the developing countries were expected to play their part, and they were in fact making great efforts through the development of agriculture and by industrialization and the diversification of trade and production. Today, every developing country was adopting measures to promote its industry. In Jordan, for instance, all new industries were exempted from income tax for five years, and no customs duty or tax of any kind was applied to imports of needed machinery. A special fund had been established to provide loans for certain industries, such as the textile industry and enterprises concerned with the promotion of tourism.

20. But the developing countries could not solve their problems alone: their efforts had to be supplemented and assisted by adequate and effective international action. The developing countries were starting their industrialization late, and their new industries needed protection to give room for expansion. An adequate supply of machinery was needed, and unless the developed countries played their part, the dangerous inequities in world trade and international financing would persist.

21. His delegation was gratified that the United Nations was giving the forthcoming Conference on Trade and Development the priority it deserved. With goodwill and understanding, a period of integrated growth could be instituted in the world economy as a whole.

22. Mr. DUPRAZ (France) said that as could be seen from chapter 1 of the *World Economic Survey*, part II (E/3761/Add.1). France was one of the countries in which the gross national product had risen by a larger amount in 1962 as compared with 1961, than in 1961 as compared with 1960. It had exceeded its 1961 level by 6 per cent, not by 5 per cent, as shown in the *Survey*. That advance had been due in part to increases of 10 per cent in agricultural output, 5 per cent in industrial output and close on 7 per cent in the supply of services. The current year had not begun so auspiciously. Unfavourable weather conditions had hampered industrial production, and in March, strikes had curtailed it by 8 per cent. Subsequently, however, the upward trend had been resumed,

and the rate had been accelerated beyond the 1962 figure. It might therefore seem surprising that the estimated gross national product for 1963 exceeded the 1962 level by a percentage which was less than the 6 per cent increase of the previous year. The reason was the rapid advance of agricultural production in 1962: if the increase rate in 1963 was merely average, the figure for the previous year would not be exceeded. The extent to which the target rate had been exceeded during the first year of the fourth French plan had resulted in a correspondingly lower percentage increase in the following year. In 1963, as in 1962, the development of industrial production was due above all to the considerable increase in the domestic demand for consumer goods, which had been caused not only by natural population growth and immigration of manpower, but also by the arrival of 750,000 French repatriates from Algeria in the second half of 1962. On the other hand, the volume of private industrial investment, which, in 1961, had exceeded the 1960 figure by more than 15 per cent, had, in 1962, exceeded the 1961 figure only by between 7 and 8 per cent. In the second half of the year, the orders placed by private industry with producers of capital goods had declined, a trend which had continued in recent weeks, and it seemed that in 1963, the volume of private industrial investment would not reach the 1962 level. That slow-down, which was due to a variety of causes, had been largely offset in 1962, and even more so in 1963, by the substantial and deliberate increase in public investment, thanks to which the demand for capital goods had been considerably larger in 1962 than in the previous year, and would continue to rise in 1963.

23. In the circumstances, full employment continued to be assured, despite the increase in the number of people seeking non-agricultural employment in the second quarter of 1962 owing to the immigration of foreign labour, the movement away from the land to non-agricultural occupations and also to the effects of repatriation, the reduction of the period of military service and the fact that the first post-war generations were now leaving school. Manpower resources had been very rapidly adapted to the needs of industry and by 1 January, 1963, only 70,000 of the additional 580,000 applicants for employment who had registered in 1962 were still on the lists. The increase in the number of unsatisfied requests for employment was by no means incompatible with the rapid growth in the number of persons employed, and the *Survey* was therefore not correct in saying that all countries of EEC with the exception of France had experienced a further increase in the number of employed.

24. The adaptation of production to the evolution of demand had not, however, been unaccompanied by a rise in prices, more particularly in the case of foodstuffs. At the same time, prices of manufactured products, and particularly of services, had also risen, mainly owing to the rise in wages, which had to some extent been offset by increased productivity.

25. Those phenomena had occurred in many industrial countries in 1962 and at the beginning of 1963, as the *Survey* indicated, referring in that connexion to the policies adopted in some of those countries bearing a direct influence on income variations. The authors of the

Survey were perhaps judging those income policies somewhat severely by saying that efforts had generally not gone much beyond public statements about the rates of increases in wages and salaries that would be acceptable from the national viewpoint. That stage had now been passed, at least as far as France was concerned. The establishment of a body such as the *Conseil supérieur du plan* in 1962 had in fact been indicative of the French Government's firm intention to promote an exchange of views between the public authorities and the representatives of all those who took part in creating the national product and in sharing the national income, for the purpose of adjusting the evolution of distributed income to that of available product. That effort to conciliate interests previously regarded as conflicting and to overcome prejudices without giving way to the demands of narrow corporate considerations, was bound to be long and difficult.

26. Lastly, the fact that prices of manufactured products had risen less than those of services or housing was due to differences in productivity trends from sector to sector, and also to increased foreign competition. In that connexion, it was interesting to note that the French economy had continued to open up towards other countries in 1962 and in the initial months of 1963. French imports had increased at a much higher rate than exports, particularly in the case of manufactured consumer goods. That import trend had, of course, affected products from EEC countries from which France had bought 18 per cent more than in 1961, but it had just as strongly affected products from the members of EFTA, from which France had likewise bought 18 per cent more than in the previous year. French purchases from the United Kingdom had risen by 30 per cent in one year and by 300 per cent in four years.

27. Moreover, France had increased imports from all parts of the world; by 22 per cent from the Latin American countries, by 21 per cent from the African countries outside the French franc area, by 19 per cent from the eastern European countries, by 5 per cent from the south and south-east Asian countries and by 3 per cent from the countries of the Middle East. The fact that in the case of the Asian and the Middle East countries, the increase had been less spectacular should not be interpreted as the result of any restrictive practices; it was merely the outcome of the normal market fluctuations, owing to which demand did not progress on strictly parallel lines for all products. The figures cited showed that his country's active participation in EEC had, whatever might be said to the contrary, by no means impeded increased purchases from the rest of the world; they also showed that such growth was fortunately contagious. It might in fact be argued that by importing more from all countries, France had in some measure exported its growth and, to the extent to which French membership in a larger regional group stimulated such growth, all nations benefited. Moreover, the rise in French imports in 1962 and at the beginning of 1963 was conducive to a better distribution of world currency reserves. French gold and convertible currency reserves had increased in 1962, to reach \$4,250 million at the end of June 1963. That development had resulted partly from a current payment surplus and partly from long-term investments,

and not from short-term capital transfers, since measures had been taken to discourage speculative capital movements.

28. The foregoing analysis showed how essential the growth of the industrialized countries and the solution of their monetary problem were for a fruitful relationship between the advanced and the developing countries, and for effective aid. Unfortunately, the economic situation of the developing countries in 1962 had confirmed certain fears. It was true that the payments difficulties which they had encountered had begun to emerge in 1960 and 1961, that during the past year their exports had developed more favourably and that the prospects for 1963 were more promising; but that was not sufficient to dispel the fears to which he had referred. The target of the United Nations Development Decade was, it would be remembered, to raise the annual growth of the developing countries to a minimum of 5 per cent at the end of the Decade, an objective which was the more essential in view of the very rapid growth of population in many of those countries. It might therefore be pertinent to ask whether a good start had been made. France was doing and would continue to do its utmost to promote the attainment of the target by economic research, financial aid and marketing policies. With regard to technical studies, France would take an active part in the work now being undertaken by experts under United Nations auspices for the promotion of development. His delegation had noted with interest the work programme of the Economic Projections and Programming Centre (E/3764), which seemed to merit first priority; and, to the extent to which United Nations funds permitted, it would support all efforts to increase the efficiency of the programme.

29. He would point out, however, that it was advisable to abandon theoretical analysis and to avoid applying to the developing countries, without sufficient adaptation, methods that had proved suitable in the industrialized countries. The development process of each country would have to take a specific form related to sociological conditions in the country. The extent of the French contribution to the financial aid rendered by the industrialized countries to the developing countries need not be recalled, but it should be remembered that the aid thus provided by France, which was intended both to be technically effective and to respect the dignity and aspirations of the countries receiving it, was given within the frame work of the recipient countries' national plans and was currently tending towards diversification and towards meeting, to an increasing extent, the developing countries' desire for industrialization.

30. In the statement with which the Under-Secretary for Economic and Social Affairs had opened, at the 1278th meeting, the general debate on world economic trends, he had recommended the study of new and bold solutions. Long before, France had proposed a scheme for organizing the markets in such a way as to provide for a genuine revaluation of prices, giving the primary producers the assurances they sought in their relations with the countries using their products. If, however, it was agreed that such an organization of the markets was necessary, it did

not follow that a mere liberalization of trade was desirable provisionally. In relations between countries that were already industrialized, freedom of trade remained a working principle to which the French delegation still adhered, for only the limitation of some of the excesses of competition was involved. In the case of relations between countries already industrialized and developing countries, the problem was very complex. So far as manufactured products were concerned, what mattered was to promote the industrialization of the under-developed countries. Among those countries there were some which, because of a level of productivity that was still low, could not stand up to the competition of the industrialized countries; and in that case, the sudden liberalization of trade would be particularly inadvisable. Again, there were other countries which, although they were still developing, had already achieved a certain degree of industrialization, and in which low wages brought manufacturing costs distinctly below those of the industrialized countries: in that case, liberalization measures, despite their long-term desirability, might hinder the development of the countries concerned if they were taken prematurely instead of gradually; and that would be in nobody's interest. Consequently, the measures would have to be selective, depending both on the product and on the country or group of countries concerned. Similarly, the strengthening of co-operation would facilitate the necessary adaptation and specialization, while at the same time avoiding the danger of mono-industry. A deliberately applied industrial geography therefore seemed preferable to a laissez-faire anarchy.

31. So far as commodities were concerned, a liberalization of trade before the markets were organized would not solve the developing countries' difficulties, for it would put the under-developed countries systematically into competition with one another and, in some cases, with the industrial countries; and that would very soon have a depressionary effect on prices from which the under-developed countries would be the first to suffer. The resulting monetary imbalances might be averted to some extent by compensatory machinery of the type established by IMF, but that machinery could correct only short-term imbalances, whereas long-term structural imbalances could be corrected only by a proper organization of the markets. With that aim in view, France had already begun applying selective procedures in the geographic areas where openings existed; and it considered that similar measures would be desirable in the world as a whole. In that case too, the liberalization of markets could subsequently play a beneficial part within the framework of an organization which would eventually make liberalization possible. Progress could be achieved only by the resolute adoption of bold methods and only at the cost of short-term sacrifices by some for the benefit of others, sacrifices that were bound in the long run, to bring benefit to all.

32. Mr. PASTORI (Uruguay) recalled that the item under consideration had advisedly been given a wide scope, there having been general agreement that the subject was not one that could be limited to any given group of countries or to any particular region, because of the

interrelated, complex and far-reaching factors by which the present-day economic situation was affected. The same consideration had underlain the decision to draw up a ten-year plan — the Development Decade — for long-term economic and social development. In other words, the basic premise had been that discussion should bear on the economic and social progress of the world as a whole, and not on the advance or lack of advance in particular countries.

33. The General Assembly and other competent United Nations organs had also agreed that economic and social progress was largely dependent on the continued expansion of world trade and, hence, that the economic development of the less developed countries was basically a matter of enlarging their share of that trade. Indeed, it had been recognized that that was the only way of eliminating unfavourable trade balances and increasing the capacity of those countries to import essential goods.

34. Those conclusions had led to the decision to hold a United Nations Conference on Trade and Development. He would not at that stage go into the various problems to which an expansion of world trade might give rise, or discuss the scope and prospects for the forthcoming Conference; his main point was that the general considerations he had cited should be taken as the essential starting point for an analysis of the documents before the Council.

35. He felt bound to acknowledge the scope and value of the efforts made in many directions; at the same time many of the conclusions drawn by the authors of the *World Economic Survey, 1962* were disappointing for the simple reason that they were not in agreement either with the fundamental principles he had mentioned or with figures used as a basis for other reports the Council had been called upon to consider within the past few days.

36. Firstly, the optimism with which the prospects for world economic progress in the present decade were regarded was unfounded. The conclusion to be drawn from the realities of the situation was that, for the vast majority of the less developed countries, the future was uncertain and unpromising. The favourable situation obtaining in particular countries or groups of countries had been taken as a basis for extrapolating wrong projections in respect of the remainder.

37. That optimism was false and without foundation, for it was not possible to separate part of the problem from the whole. There could be no talk of favourable economic trends in face of figures which plainly demonstrated that the position of the less developed countries was becoming more critical day by day. For example, 1962 had seen the lowest point reached by the index of export prices of primary commodities: it had fallen from 97 in 1960 to 93 in 1962, and the recovery at the beginning of 1963 had raised it again by no more than one point. Moreover, the benefit of that partial recovery had been more than offset by the fact that in the meantime the price index for manufactured goods had risen from 101 in 1960 to 103 in 1962. Furthermore, the conclusions drawn had been based on commodity prices during a three-monthly period admittedly subject to seasonal variations. On the other

hand, there were more than thirty countries, including his own and Brazil, whose export index was now on a level with or lower than that for 1962. In the circumstances, therefore, his delegation could not accept the conclusions in part II of the *Survey* (E/3761/Add.2), which were too optimistic.

38. It was not his delegation's intention merely to dwell on contradictions or possible errors in the *Survey*; it wished specifically to call attention to the grave prospects for the under-developed countries if the problems they were facing were not tackled with the requisite energy and sincere desire to help. The General Assembly, in its resolution 1785 (XVII), had recognized that economic and social progress throughout the world depended on a wide expansion of international trade, on an equitable and mutually advantageous basis. So long as the existing imbalance in trade relations persisted and tended to worsen, there could be no talk of optimistic prospects for or trends in the world economy. Nothing would suffice to correct the existing situation so long as the problems of international trade remained unsolved. Some benefit might be derived from a change in methods and institutions, but the basic problem would first have to be overcome. That also applied to plans for changing the structure of world trade. Such plans might be of practical use in the organization of markets, but their effectiveness would depend on the acceptance of such changes by the developed countries in a spirit of basic justice.

39. Unfortunately, attempts made in that direction in regard to products of interest to his country had hardly proved encouraging. The conclusions reached earlier in the month by the GATT Working Group on Meat, for example, were of little significance. Nor was much to be expected from the element of assistance in the trade in primary products, for it was not even based on realities. The resistance shown by the developed countries to a study of the proposal for real financial compensation provided eloquent proof of the truth of what he had been saying.

40. In conclusion, he hoped that the forthcoming Conference on Trade and Development would find for the problems of world trade a just and effective solution of the kind the less developed countries were seeking.

41. Mr. ARKADIEV (Union of Soviet Socialist Republics) observed that the *World Economic Survey, 1962* contained some comparisons of the economic development of countries with different social and economic systems. Such comparisons were particularly important in modern times, when the economic competition between the socialist and capitalist systems had become the crucial area of international life. According to the available data, industrial production in capitalist countries in 1962 had been only 17 per cent higher than in 1959, while the growth in the United States had amounted to 12 per cent; over the same period, the industrial production of countries members of the Council for Mutual Economic Assistance had increased by 30 per cent, and in the Soviet Union by 31 per cent. The Soviet Union had held first place in Europe and second place in the world in

industrial production in 1962, and first place in the whole world in the output of a number of products. Accordingly, the share of the socialist countries in world industrial production was currently over 37 per cent, as against 27 per cent in 1955 and only 3 per cent in 1917.

42. Those data held the key to the understanding and objective analysis of modern world economic processes, and the absence of such comparisons represented a serious omission in the *Survey*. The United Nations recognized the importance of economic competition amongst States with different social structures, and the economists of the Secretariat had no right to ignore that important problem in their studies. The Soviet delegation therefore considered it essential to propose that the Secretariat should enlist the help of highly qualified specialists from the countries concerned in order to make systematic comparisons of the rates and results of economic growth of the three main groups of countries in the modern world, namely the socialist countries, the advanced capitalist countries and the developing countries. Such comparisons could be made in the annual world economic surveys and in the surveys of the appropriate regional economic commissions. Furthermore, the most important trends in world economic development could not be correctly assessed on the basis of data for short periods of two or three years. It would therefore be desirable for the United Nations surveys to contain economic indicators for relatively long periods, in any case exceeding the length of production cycles in the economy of capitalist countries. Such an approach would raise the quality of the surveys, and would ensure that they reflected the long-term factors characteristic of various social and economic systems.

43. The Soviet delegation also wished to draw attention to the fact that the analysis of the development of world economy in the *Survey* could not be regarded as objective. Thus, a number of important aspects of the world economic situation had either not been reflected at all or had not been described with due regard to certain economic processes. In analysing the economic situation of the advanced capitalist countries, the authors of the *Survey* did not, for instance, take note of the fact, mentioned recently by Mr. Khrushchev in his speech in Berlin, that the economic upswing observed in Europe and the United States after the Second World War had long passed its peak, and they had failed to point out certain symptomatic peculiarities of the 1959/1962 cycle.

44. In the first place, the most recent cyclical upswing had been accompanied by a growth of unused productive forces. Thus, the President of the United States had said in January 1963 that in the United States the gap between potential and actual production for the period from 1958 to 1962 was estimated at \$170,000 million, and a similar non-utilization of production machinery was to be noted in western Europe. That had led to a corresponding decline in rates of capital investment in the western European countries. In the United Kingdom and in Austria the volume of capital investment had fallen, in the Common Market countries the rates of capital investment were currently 50 per cent lower than the 1962 level, and other European countries had shown no rise in invest-

ment. The number of distressed areas was increasing, some old professions were declining and the disqualification of workers was taking place. There was a menace of structural unemployment and the total number of unemployed was increasing as a result of automation processes.

45. Thus, one peculiarity of the development of the capitalist economy in recent years lay in the fact that production growth in many of the countries concerned had been accompanied by unemployment. The authors of the *Survey* admitted that at the end of 1962 the unemployment level in several developed capitalist countries had been higher than at any time after the war, with the exception of periods of crisis and large-scale strikes. The situation of the labour market in the western European countries was deteriorating, and the number of unemployed in western Europe exceeded 3 million. The so-called free migrant labour force of the Common Market was not insured against unemployment either by individual countries or by EEC as a whole, and employment conditions in a number of countries were deteriorating in other ways.

46. The world market situation was also noteworthy. In 1962, exports from the developed capitalist countries to the developing countries had decreased by \$430 million. The authors of the *Survey* noted that circumstance, but did not explain it, although it would have been most desirable to analyse it from the point of view of the economic policies pursued by western monopolies in their relations with the developing countries. During the past five years, the movement of commodity prices had been unfavourable to the developing countries, while the prices of the manufactured goods which those countries purchased in the advanced countries had risen. Moreover, the developing countries were paying vast tributes to the western monopolies in the form of freight charges, insurance and other invisible items.

47. At the same time, there had been a considerable decline in the rate of growth of trade turnover among the developed countries, which was linked with a decline in the demand for imported equipment. The *Survey* pointed out that imports of equipment from capitalist countries non-members of the Common Market had tended to decline in 1962, and orders for equipment from the important capitalist countries had declined throughout the year. It was also characteristic that in the past two years the growth of exports of all the developed countries except Japan to the Common Market countries had slowed down.

48. All those events confirmed that the prognostications for the development of the capitalist economy given by the Soviet delegation at the Council's thirty-fourth session had been correct. One of the reasons for that deterioration which his delegation had on that occasion foretold lay in the continued existence of obstacles to international trade: certain industrialized capitalist countries still practised various kinds of discrimination in their trade with the socialist countries. The Council should actively promote the rapid elimination of such practices, which seriously disorganized world trade.

49. In a general analysis of world economic trends, great attention should be given to the situation and prospects of the Asian, African and Latin American countries, whose efforts to create national economies and to strengthen their economic independence were meeting with serious difficulties. The documentation before the Council suggested that the rates of economic growth of these countries were absolutely inadequate and in a number of cases were even declining. Moreover, the Under-Secretary had rightly pointed out that deficits in their external economic relations which had accumulated in previous years were constantly rising, that their currency resources were being exhausted and that their indebtedness was increasing. That unfavourable situation was due to a number of factors rooted in the colonial past of countries which had won political independence, but had by no means freed themselves of economic dependence on the former metropolitan countries.

50. Among the factors with an adverse effect on the economic development of the developing countries was the strong influence of foreign industrial, trade and banking monopolies, for in only a few of those countries was the government sector sufficiently developed to undertake long-term economic programmes. The slow rates and insignificant volume of the national income led to a very low level of local consumption and domestic capital investment. Thus, in the Latin American countries, the growth of real per caput income had decreased to 1.1 per cent in the period from 1955 to 1960; that was lamentable in view of the fact that even if the minimum 5 per cent annual growth rate laid down as a target for the Development Decade were achieved, millions of people would still be doomed to starvation. The average per caput incomes in the countries of Asia and the Far East did not exceed \$100 a year, and United Nations economists had estimated that a growth of no less than 5 per cent would be required to double that figure in 20 to 25 years; but that growth was now 2 to 2.5 per cent. The situation in Africa was similar, and even worse in some countries.

51. The Council could render assistance by providing for an objective study of the distribution of the national income and the possibilities of using domestic savings for economic development. The Council might also take note of the efforts of the developing countries to eliminate the economic and social consequences of colonialism through industrialization, diversification of the economy, development of the public sector and nationalization of certain branches of industry, trade and banks. Attention should also be paid to the efforts of the developing countries to train local personnel and to prepare long-term development programmes. In order to create independent national economies deserving the support of the Council and other competent United Nations bodies, the Council's consideration of the economic trends in developing countries should also lead to measures for securing their enjoyment of the sovereign right of utilizing their natural resources, increasing their share in the profits of foreign companies, eliminating inequities in the terms of trade and developing world trade on a basis of equal rights without discrimination or restrictions.

52. The economic situation of the socialist countries was given a certain amount of space in the *Survey* (E/3761/Add.3) but unfortunately the general trends of that situation were blurred by detail. He therefore wished to stress some of the main characteristics of the current economic situation of the Soviet Union. In that country, as in most other socialist countries, industry played a preponderant part in the economic structure, and yet only a few lines of the *Survey* were devoted to industry in the Soviet Union. That was probably due to the fact, acknowledged by the authors of the *Survey*, that industry in the Soviet Union had advanced relatively smoothly. Indeed, production in 1962 had increased by 9.5 per cent, and over-all industrial output over the first four years of the current seven-year plan had increased by 45 per cent. Over the same period, the country's capital funds had risen by 100,000 million roubles, or by 150 per cent; 3,700 big industrial undertakings had been constructed, thereby augmenting production capacity and output. The output of steel had risen by 16 million tons a year, electric power by 28 million kW, oil by 73 million tons as compared with the 1958 level, coal by 72 million tons and cement by 22 million tons. Currently the annual output of steel had reached a figure of between 18 and 80 million tons, while in the Socialist countries as a whole the output had risen to 115 million tons.

53. As a result of the introduction of new techniques, productivity of labour had increased in the Soviet Union, and two-thirds of the estimated growth of industrial output had been achieved in the four years of the seven-year plan that had elapsed. Accordingly, the allegation by the authors of the *Survey* that the growth rates of labour productivity in the USSR had declined was unfounded, and was an attempt to misinform world public opinion of the real trends of economic development in the Soviet Union. This country was making successful efforts to improve further the planned guidance of industrial development. Capital investments and material resources were being concentrated on the construction of enterprises of vital importance to the national economy, with a view to putting them into operation as soon as possible and deriving the maximum benefits from investments. The target for 1964/1965 was to double the number of enterprises put into operation. The *Survey* misrepresented those measures taken in the socialist countries as attempt to emerge from serious difficulties. In actual fact, however, the improvement of planning efforts in the socialist countries was motivated by a wish to open up additional possibilities for the development of production forces.

54. In 1962, the development of agriculture in the Soviet Union and in many socialist countries had been conducted in highly unfavourable climatic conditions. Nevertheless, the Soviet Union had succeeded in gathering in a record harvest of cereals of 147.5 million tons, and not 139.9, as was stated in the *Survey*.

55. As to foreign trade and economic co-operation, the total turnover of Soviet foreign trade had exceeded \$13,300 million, which was 14 per cent more than in 1961. Trade with the developing countries of Asia, Africa and Latin America had grown by more than 7 per cent,

and it was planned to increase that trade by 24 per cent in 1963. The volume of trade and the range of commodities exchanged between the USSR and such countries as India, Japan, the United Kingdom and Brazil had considerably increased in 1962 and the first half of 1963, and there were ample data to show that trade relations between the socialist countries and the non-socialist world were expanding. In particular, business circles in a number of industrialized capitalist countries were taking a more realistic view of international development and were systematically increasing trade with the socialist countries. Thus, trade between the USSR and Japan was shortly to be expanded to reach a figure of \$1,000 million, the Mexican chambers of commerce were becoming aware of the possibilities of trade with the socialist countries, and representatives of heavy industry in the United Kingdom were in favour of increasing the volume of trade with those countries from £140 million to £350 million. Business circles in the Common Market countries, too, were in favour of expanding east-west trade.

56. In view of those facts, it was surprising that the authors of the *Survey* had included in their work a document on trade between the developing countries and countries with centrally planned economies (E/3774, chap. 5) which had been submitted to the Preparatory Committee for the Conference on Trade and Development; that document distorted the principles and the foreign trade policies and practices of the socialist countries and therefore should not have been issued in its existing form, even for the Preparatory Committee. In any case, the Secretariat should first have ascertained the views of the USSR and other socialist countries on such a politically tendentious document. The *Survey* did not contain any data on the trade policies and practices of the United States or the Common Market, which were being deservedly criticized throughout the world; and yet the Secretariat had seen fit to discredit the foreign trade system of the socialist countries by publishing a tendentious document in a printed publication bearing the seal of the United Nations, and that on the eve of the Conference on Trade and Development. Some members of the Secretariat thus seemed to be using the organization for specific purposes that were far from friendly to the socialist countries.

57. Of course, the authors of the *Survey* had been unable to link bold assertions concerning obstacles to trade with the indications in the *Survey* itself that in the period from 1956 to 1960 exports from the developing countries to the socialist countries had increased annually by 23 per cent and by over 40 per cent over the past two years. The best answer to the tendentious view expressed in the *Survey* on trade between the socialist countries and the developing countries was the fact that in 1962 exports from the developing countries to the Soviet Union and the European socialist countries had increased by 500 million roubles, while their exports to the western capitalist countries had declined by the same amount. Moreover, the authors of the *Survey* themselves noted that the trade of the developing countries of Latin America, Africa, Asia and Oceania with the socialist countries was steadily increasing.

58. In addition to mutually advantageous trade, the Soviet Union was providing the under-developed countries with increasing economic and technical assistance in order to lay the foundations of an independent national economy and eliminate the heritage of colonialism. The Soviet Union had supplied credits of over 3,000 million roubles to the developing countries, and the socialist countries were currently equipping about 1,100 enterprises and other installations in Asia, Africa and Latin America. Mr. Krushchev had recently announced that the socialist countries would continue to offer all kinds of aid to the peoples of former colonies in order to strengthen their political and economic independence and to all peoples engaged in a fair struggle for the liquidation of the shameful colonial system; such aid would increase as the process of strengthening of the Socialist Commonwealth countries' power advanced.

59. In order to eliminate the shortcomings of the *Survey* and assist the Secretariat, the Economic and Social Council should examine only a draft of the *Survey*, so that the latest data might be given by representatives at the session, and so that comments and additions by members of the Council might be taken into account. The final version of the *Survey* should be published and circulated as a United Nations document only after the draft had been revised in the light of the additions and comments. A similar procedure was already being used in respect of a number of documents, and had been fully justified.

60. It would be clear from the information that his delegation had provided on the recent economic developments of the USSR that the Soviet Union and the other socialist countries were becoming an increasingly powerful factor in the world economy. Moreover, their economic, trade, social and cultural relations with other countries were continually expanding and would continue to gain in scope and depth as the vast development plans of the Soviet Union were executed. It was also clear that those relations would develop more successfully as the desire of other countries to expand them became more sincere. Since international trade was one of the basic factors of the development of world economic relations, special attention should be paid to that sector; and he hoped that the Conference on Trade and Development would result in practical proposals and measures for the expansion of world trade as a whole and for the improvement of markets for the raw materials and manufactured goods of the developing countries. The Soviet delegation was convinced that a discussion on the most urgent problems of utilizing the international division of labour on an equal basis by all countries and the adoption of a decision to set up an international trade organization would make a new and creative contribution to advantageous world economic co-operation.

The meeting rose at 1.20 p.m.